

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY, KENTUCKY,
CAPITAL PROJECTS CORPORATION**

**A COMPONENT UNIT OF
JEFFERSON COUNTY FISCAL COURT
For The Fiscal Year Ended
June 30, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jerry Abramson, Metro Mayor
Members of the Louisville Metro Government Council
Honorable Rebecca Jackson, Former Jefferson County Judge/Executive
Former Members of the Jefferson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the debt service fund and capital projects fund of the Jefferson County, Kentucky, Capital Projects Corporation (the Corporation) a component unit of Jefferson County Fiscal Court, as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the Corporation has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2002.



To the People of Kentucky

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In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2003 on our consideration of the Jefferson County, Kentucky, Capital Projects Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
January 23, 2003

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2002

	Debt Service Fund	Adjustments (Note 3)	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,983,395	\$ 0	\$ 2,983,395
Accrued interest	1,720		1,720
Land		5,449,234	5,449,234
Other capital assets, net of accumulated depreciation		131,044,566	131,044,566
Total assets	<u>\$ 2,985,115</u>	<u>\$ 136,493,800</u>	<u>\$ 139,478,915</u>
<u>LIABILITIES</u>			
Long-term liabilities:			
Due within one year	\$	\$ 4,915,000	\$ 4,915,000
Due after one year		134,619,095	134,619,095
Total liabilities	<u>\$ 0</u>	<u>\$ 139,534,095</u>	<u>\$ 139,534,095</u>
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Reserved	<u>\$ 2,985,115</u>	<u>\$ (2,985,115)</u>	<u>\$ 0</u>
Total liabilities and fund balances	<u>\$ 2,985,115</u>		
Net assets:			
Invested in capital assets, net of related debt		\$ (3,040,295)	\$ (3,040,295)
Restricted		2,985,115	2,985,115
Total net assets		<u>\$ (55,180)</u>	<u>\$ (55,180)</u>

The accompanying notes are an integral part of the financial statement.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

For The Fiscal Year Ended June 30, 2002

	Debt Service	Capital Projects	Totals Governmental Funds	Adjustments (Note 3)	Statement of Activities
<u>REVENUES</u>					
Intergovernmental	\$ 4,396,000	\$ 0	\$ 4,396,000	\$	\$ 4,396,000
Investment income	163,733	4,664	168,397		168,397
Total revenues	<u>\$ 4,559,733</u>	<u>\$ 4,664</u>	<u>\$ 4,564,397</u>	<u>\$ 0</u>	<u>\$ 4,564,397</u>
<u>EXPENDITURES</u>					
Current:					
Depreciation	\$	\$	\$	\$ 3,513,772	\$ 3,513,772
Debt Service:					
Principal	3,480,000		3,480,000	(3,480,000)	
Interest	6,070,341		6,070,341	2,089,873	8,160,214
Capital outlay		518,384	518,384	(518,384)	
Total expenditures	<u>\$ 9,550,341</u>	<u>\$ 518,384</u>	<u>\$ 10,068,725</u>	<u>\$ 1,605,261</u>	<u>\$ 11,673,986</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,990,608)</u>	<u>\$ (513,720)</u>	<u>\$ (5,504,328)</u>	<u>\$ 5,504,328</u>	<u>\$ 0</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	\$ 5,067,775	\$	\$ 5,067,775	\$	\$ 5,067,775
Transfers out		(23)	(23)		(23)
Total other financing sources (uses)	<u>\$ 5,067,775</u>	<u>\$ (23)</u>	<u>\$ 5,067,752</u>	<u>\$ 0</u>	<u>\$ 5,067,752</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	\$ 77,167	\$ (513,743)	\$ (436,576)	\$ 436,576	\$
Change in net assets				(2,041,837)	(2,041,837)
Fund balances/net assets:					
Beginning of the year	<u>2,907,948</u>	<u>513,743</u>	<u>3,421,691</u>	<u>(1,435,034)</u>	<u>1,986,657</u>
End of year	<u>\$ 2,985,115</u>	<u>\$ 0</u>	<u>\$ 2,985,115</u>	<u>\$ (3,040,295)</u>	<u>\$ (55,180)</u>

The accompanying notes are an integral part of the financial statement.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. The Corporation

The Jefferson County, Kentucky, Capital Projects Corporation (the Corporation), a legal corporate entity, was formed by the Jefferson County Fiscal Court (Fiscal Court) to act as its agency and instrumentality in the financing of public improvements and projects of a capital nature.

The Corporation is governed by a twelve-member board of directors appointed by the County Judge/Executive with the approval of Fiscal Court.

The Corporation is a blended component unit of Fiscal Court and, as such, has been included in the basic financial statements of Fiscal Court.

Note 2. Summary of Significant Accounting Policies

The basic financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Corporation's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of significant accounting policies.

Entity-Wide and Fund Financial Statements - The financial statement presentation for the Corporation includes separate columns reporting a statement of net assets and a statement of activities. These statements present an entity-wide presentation of all activities of the Corporation. Separate fund financial statements are also presented for the governmental funds of the Corporation - the Debt Service Fund and Capital Projects Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Corporation considers revenues available for reporting purposes when collected within 60 days. Only current assets and current liabilities generally are included on the balance sheet.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

The Corporation reports the following governmental funds:

Debt Service Fund

The Corporation leases its projects to Fiscal Court or its agencies. The leases between the Corporation and Fiscal Court are, by law, limited to a term of one year, although Fiscal Court has stated its intent (but is not obligated) to renew the leases until the bonds are repaid. The rental payments, which are recorded in the Debt Service Fund as a transfer in from the Jefferson County Capital Improvement Reserve Fund, a capital projects fund of Fiscal Court, are in an amount adequate to make required principal (including sinking fund) and interest payments.

Capital Projects Fund

The Corporation has obtained financing for projects by the issuance of long-term debt. The proceeds from the issuance of such obligations are deposited into the Capital Projects Fund, from which disbursements are made for construction costs.

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as various short-term investments with an original maturity of three months or less.

Investments - Investments are recorded at fair value based on quoted market values in accordance with Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

Capital Assets - Land, buildings, and other capital assets are recorded at cost in the fund financial statements. Additionally, capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net assets. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred for the construction of capital assets is not capitalized.

The Corporation depreciates buildings using the straight-line method, over the estimated useful lives of assets, with the following life expectancy:

<u>Assets</u>	<u>Years</u>
Land	Not Depreciable
Government use buildings	40
Other operating structures	25
Parking garage structures	35
Building improvements	25

Estimates - The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that effect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting entity. Actual results could differ from those estimates.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations - In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the entity-wide statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the bonds and bond premiums are reported as other financing sources, while discounts are reported as other financing uses. Bond issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 3. Reconciliation of Entity-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets

The financial statement for the governmental fund balance sheet and statement of net assets includes an adjustments column representing reconciliation between fund balance reported in the fund financial statement and net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

(1) When capital assets (land and buildings) are to be used in government activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Corporation as a whole.

Cost of capital assets:			
Land		\$	<u>5,449,234</u>
Buildings	\$ 162,919,092		
Accumulated depreciation	<u>(31,874,526)</u>	\$	<u>131,044,566</u>

(2) Long-term liabilities applicable to the corporation's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net assets.

Bonds Payable	<u>\$ 139,534,095</u>
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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balances and statement of activities includes an adjustments column representing a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities reported in the entity-wide statement. The details of the reconciling items are as follows:

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Reconciliation of Entity-Wide and Fund Financial Statements (Continued)

- (1) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Depreciation expense	<u>\$ 3,513,772</u>
Capital outlay	<u>\$ 518,384</u>

- (2) Repayment of note principal is reported as an expenditure in governmental funds and thus, has the effect of reducing fund balance because current financial resources have been used. For the corporation as a whole, however the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Interest expense in the statement of activities differs from the amount in governmental funds in that accreted interest was calculated for bonds.

Principal payment made	<u>\$ 3,480,000</u>
Accreted Interest	<u>\$ 2,089,873</u>

Note 4. Investments

The Kentucky Revised Statutes (KRS 66.480) and respective bond indentures allow the Corporation to invest in the following types of securities:

Obligations of the United States and its agencies and instrumentalities, including repurchase agreements; obligations backed by the full faith and credit of the United States, United States government agency, or of any corporation of the United States government; certificates of deposit or any other interest bearing account issued by any bank or savings and loan institution which is insured by the FDIC; highly rated uncollateralized certificates of deposit, bankers acceptances, and commercial paper; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and instrumentalities; highly rated securities issued by the state or local government, or any instrumentality or agency in the United States; and mutual funds which include the above eligible investments.

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterpart's trust department or agent, but not in the entity's name.

At June 30, 2002, the Corporation's investments, having a fair value of \$2,983,395 consisted entirely of U.S. Agency Obligation money-market mutual funds, which were not subject to categorization.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Revenue Bonds

Lease revenue bonds consist of the following as of June 30, 2002:

Series	Type	Due to be Redeemed or Repaid During Year Ended June 30	Interest Rate	Outstanding Balance *
1992A	Current Interest Bonds	2003-2008	5.50% -6.10%	\$ 20,915,000
1992A	Municipal Multipier Term Bonds	2008-2018	6.75% -7.00%	31,814,095
1995	Current Interest Bonds	2003-2015	4.90% -5.50%	3,910,000
1996A	Current Interest Bonds	2003-2016	5.50% -5.60%	21,010,000
1997	Current Interest Bonds	2003-2028	5.20% -5.50%	61,885,000
* Includes accreted interest				<u>\$ 139,534,095</u>

Changes in lease revenue bonds payable were as follows:

	Balance July 1, 2001	Additions	Accreted Interest	Debt Payments and Reductions	Balance June 30, 2002	Amounts Due within One Year
Lease Revenue Bonds						
Series 1992A	\$ 51,794,222	\$	\$ 2,089,873	\$ 1,155,000	\$ 52,729,095	\$ 2,480,000
Series 1995	4,120,000			210,000	3,910,000	215,000
Series 1996A	22,015,000			1,005,000	21,010,000	1,055,000
Series 1997	62,995,000			1,110,000	61,885,000	1,165,000
Total Long-Term Debt	<u>\$ 140,924,222</u>	<u>\$ 0</u>	<u>\$ 2,089,873</u>	<u>\$ 3,480,000</u>	<u>\$ 139,534,095</u>	<u>\$ 4,915,000</u>

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Revenue Bonds (Continued)

The bonds are collateralized by the pledge of rental revenues pursuant to annually renewable lease agreements with Fiscal Court and mortgages on projects financed with proceeds for these and prior bond issues

The Corporation's Lease Revenue Refunding Bond, Series 1992A, were issued to refund the Corporation's (1) Floating/Fixed Rate Lease Revenue Bonds, Series 1988, then outstanding in the original principal amount of \$25,000,000, which were scheduled for final maturity in 2018, and (2) Lease Revenue Bonds, Series 1989B, which were outstanding in the original principal amount of \$10,724,340, issued as Municipal Multiplier Term Bonds scheduled for redemption from August 15, 2001 through 2019.

The Series 1995 Current Interest Bonds bear interest rates ranging from 4.90% to 5.50% and mature in varying amounts through 2015. Interest is payable semiannually on April 1 and October 1. The bonds are subject to early redemption provisions at a premium.

The Series 1996A Current Interest Bonds bear interest at rates ranging from 5.50% to 5.60% and mature in varying amounts through 2016. Interest is payable semiannually on April 1 and October 1. The bonds are subject to early redemption provisions at a premium. Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy issued by AMBAC Indemnity Corporation.

The Series 1997 Current Interest Bonds bear interest rates ranging from 5.20% to 5.50% and mature in varying amounts through 2028. Interest is payable semiannually on June 1 and December 1. The bonds are subjected to early redemption provision at a premium. Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy issued by MBIA Insurance Corporation.

Debt service to maturity of all bond issues is as follows:

Payable During Year Ending June 30	Principal	Interest	Total
2003	\$ 4,915,000	\$ 5,848,459	\$ 10,763,459
2004	5,135,000	5,578,375	10,713,375
2005	6,685,000	5,254,800	11,939,800
2006	6,995,000	4,873,809	11,868,809
2007	7,445,000	4,466,134	11,911,134
2008-2012	27,288,850	32,264,683	59,553,533
2013-2017	28,356,520	41,885,949	70,242,469
2018-2022	15,258,714	14,289,768	29,548,482
2023-2027	18,155,000	4,271,025	22,426,025
2028	4,250,000	233,750	4,483,750
Totals	<u>\$ 124,484,084</u>	<u>\$ 118,966,752</u>	<u>\$ 243,450,836</u>

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Revenue Bonds (Continued)

The following debt is considered extinguished (through an in-substance defeasance) for financial reporting purposes. Therefore neither the remaining debt nor the assets placed in trust accounts are reflected on the accompanying Net Assets and Governmental Funds Balance Sheet. The balances are as follows:

Series	Debt Remaining as of June 30, 2002
1977	\$ 1,675,000
1978	10,145,000
1980	1,520,000
Total Defeasance Debt	<u>\$ 13,340,000</u>

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and improvements	\$ 5,449,234	\$ 0	\$ 0	\$ 5,449,234
Capital assets, being depreciated:				
Buildings and facilities	\$ 162,400,708	\$ 518,384	\$	\$ 162,919,092
Less accumulated depreciation for:				
Buildings and Facilities	(28,360,754)	(3,513,772)		(31,874,526)
Total capital assets, being depreciated, net	\$ 134,039,954	\$ (2,995,388)	\$ 0	\$ 131,044,566
Government-type activities capital assets, net	<u>\$ 139,489,188</u>	<u>\$ (2,995,388)</u>	<u>\$ 0</u>	<u>\$ 136,493,800</u>

Note 7. Transfers

The Corporation accounts for the lease payments described in Note 2, "Debt Service Fund", as transfers in received from Fiscal Court. During the year, the Corporation received a total of \$5,067,752 in transfers from the Fiscal Court for this purpose.

Note 8. Administrative Expenses

Fiscal Court provides certain accounting and administrative services for the Corporation at no charge.

JEFFERSON COUNTY, KENTUCKY, CAPITAL PROJECTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 9. Subsequent Events

(1) On July 10, 2002, the Fiscal Court issued its \$32,995,000 General Obligation Refunding Bonds, Series 2002A, in part, to advance refund the Corporation's Lease Revenue Bonds, Series 1995 and Series 1996A. The remaining principal amount of \$3,910,000 of the Series 1995 bonds was defeased with regular debt service payments to be paid as scheduled through April 2005 maturities and the remaining maturities through April 2015 to be called on April 1, 2005.

The remaining principal amount of \$21,010,000 of the Series 1996A bonds was defeased with regular debt service payments to be paid as scheduled through April 2006 maturities and the remaining maturities through 2016 to be called for redemption on April 1, 2006.

(2) On November 7, 2002, the Fiscal Court issued its \$16,450,000 General Obligations Refunding Bonds Series 2002B to refund on a current basis a portion of the Corporation's Lease Revenue Bonds, Series 1992A. The current interest bonds maturing August 15, 2004 through and including August 15, 2007 were defeased, with redemption in full scheduled for February 15, 2003 at 102% of par plus accrued interest. The refunded principal totaled \$15,860,000.

The current interest bonds of the 1992A series bonds maturing on August 15, 2003 will be paid as scheduled. The capital appreciation bonds of the 1992A series bonds maturing August 15, 2007 through and including August 15, 2017 will be paid as scheduled.

Note 10. Changes in Accounting Principles and Changes in Prior Year Fund Equity

Changes in Accounting Principles

For fiscal year 2002, the Corporation has implemented GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments".

GASB 34 creates new basic financial statements for reporting the Corporation's financial activities. The financial statements now include entity-wide financial statements, which are prepared on the accrual basis of accounting and fund financial statements, which are prepared on a modified accrual basis of accounting.

The beginning net asset amount for the Corporation reflects the change in fund balance for governmental funds at June 30, 2001 caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balance

The transition from governmental fund balance to net assets of the Corporation activities is presented. The net effect on the beginning net assets in the entity-wide financial statements caused by implementation of GASB 34 was an increase of \$28,116,624. Also, beginning net assets increased to reflect capital assets previously omitted in error. The net effect on the beginning net assets caused by the prior period adjustment was a decrease of \$29,551,658.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Former Members of the Jefferson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Jefferson County, Kentucky, Capital Projects Corporation, as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County, Kentucky, Capital Projects Corporation financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County, Kentucky, Capital Projects Corporation internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 23, 2003

